MEDIA EVENT: AG SCRUMS ON FAO REPORT ON FAIR HYDRO PLAN

May 24, 2017

Location:		
Outside Justice Committee Room		
Speaker:		
Auditor General Bonnie Lysyk		
Media Attendance:		
Print – 2	TV – 1	Radio – 1
Media Outlets:		
Benzie – Star; Zochodne – QP Briefing; Lamoureux - Radio Canada TV; Brule - Radio Canada/CJBC		
Media Questions:		

Questions for AG Bonnie Lysyk:	
	(Joined in progress) I have only had the opportunity to review it very briefly today.
Q: Brule: I just want to go back to your last questions with Mr. Tabuns. He mentioned that if the money that is put aside as a debt really to give consumers those rebates, is it going to be counted as an actual debt towards to the total debt of the province?	We've looked at the bill. And basically at the end of the day there are parts of that that do not meet public sector accounting standards in the way the transaction is being structured. And so at the end of the day the borrowings would be borrowings for the province on its financial statements.
Q; Brule: But it's going to cost more.	My understanding from the FAO is that it will cost more.
Q; Brule: And the FAO said, ask the members of the assembly to get assurance from you that it would actually be counted. What can you tell them? Do they have that assurance?	You know, I guess what we're saying is that, if the transaction continue to be designed the way it is currently designed. That when it came for me to opine on the financial statements and the financial state and show the transaction set up as designed, that would put me in a position where I would likely qualify the government's financial statements, both its balance sheet and statement of operations.
Q: Brule: So it's not just the debt we're taking outside on this side, we're taking a little debt. It is as if a household were contracting a debt for a new car or…	The government statements are representative of the whole the whole picture in the public sector right, it includes the electricity sector. So the difference between what's being paid to power producers and what's being collected from the ratepayers really is a policy decision impact and it would show as a bottom line impact on the government's statements under public sector accounting standards.
Q: Zochodne: Are we going to end up in a situation similar to what happened with accounting for the public sector accounting plans where you disagree with the	You know I mean the government will do what the government will do. My job is to opine on whether the transactions taken and transactions recorded are in accordance with public accounting standards so similar to

government and they go ahead and do it anyway?	the pension issue, based on what we know today on this transaction, we would say it is being structured in a way that is not in accordance with public sector accounting standards. But I guess I'm hoping that there's opportunity for the government to revisit this. And to work with us in discussing this transaction and seeing wether the accounting can be in accordance with public sector accounting standards.
Q: Zochodne: Did the government consult with at all before it settles on this method of producing?	No unfortunately, the government did not consult with us. Neither did the Provincial Controllers' Office. Our advice was not sought on the proper accounting under the public sector (inaudible).
Q: Brule: What would be the appropriate accounting practice in this case?	In this case you know we believe that it would be debt of the province and that the difference between the amount paid to the power producers and the amounts collected from the consumers would show up eventually as an impact on the bottom line of the government's financial statements and that interest would also show up on the government's financial statements for the borrowings that are occurring.
Q: Brule: So it could end up being a deficit.	It depending on what the bottom line is. You know it would increase the expenses. That's what I'm saying. And the net debt would be properly presented.
Q: Brule: Are you studying the Fair Hydro Plan? Is it something that will be your next special report or annual report?	Yeah we will be doing a report on it. I haven't decided yet whether that report will be a separate report or it will be contained in our annual report in December. But I think it does warrant some discussion. Yes.
Q: Brule: Anything else that warrants some discussion in that plan?	No just that you know this is an important issue. It is precedent setting in terms of public sector accounting in Canada. You know it's the standards in Canada are supposed to speak to the Canadian situation. Reference to U.S. accounting when there are Canadian standards is not appropriate.
Q: Zochodne: Have you ever seen a structure similar to what the FAO laid out today in that the province might (inaudible) create the OPG Trust and that is going to be the sort of vehicle that buys up some sort of defined asset that is paid with hydro money? Has that ever been done as far as you know?	I think when sit back and look at this, we do wonder why there has been a lot of efforts that has been spent buy a lot of people to try and design an accounting structure where at the end of the day what we have here is the financing structure. We have money being borrowed to cover a policy decision which is government's prerogative. But all we say is that it should be reflected in the bottom line of the consolidated statements for the province of Ontario. Thank you.
N.B.: Comments captured are not verbatim quotes	

Prepared by:

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